

FIRST REGULAR SESSION

SENATE BILL NO. 573

95TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR CROWELL.

Read 1st time February 26, 2009, and ordered printed.

TERRY L. SPIELER, Secretary.

2252S.011

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to an income tax exemption for certain retirement benefits.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 143.124, RSMo, is repealed and one new section
2 enacted in lieu thereof, to be known as section 143.124, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, for
2 tax years ending on or before December 31, 2006, the total amount of all
3 annuities, pensions, or retirement allowances above the amount of six thousand
4 dollars annually provided by any law of this state, the United States, or any other
5 state to any person except as provided in subsection 4 of this section, shall be
6 subject to tax pursuant to the provisions of this chapter, in the same manner, to
7 the same extent and under the same conditions as any other taxable income
8 received by the person receiving it. For purposes of this section, annuity,
9 pension, **retirement benefit**, or retirement allowance shall be defined as an
10 annuity, pension or retirement allowance provided by the United States, this
11 state, any other state or any political subdivision or agency or institution of this
12 or any other state. For all tax years beginning on or after January 1, 1998, for
13 purposes of this section, annuity, pension or retirement allowance shall be
14 defined to include 401(k) plans, deferred compensation plans, self-employed
15 retirement plans, also known as Keogh plans, annuities from a defined pension
16 plan and individual retirement arrangements, also known as IRAs, as described
17 in the Internal Revenue Code, but not including Roth IRAs, as well as an
18 annuity, pension or retirement allowance provided by the United States, this
19 state, any other state or any political subdivision or agency or institution of this

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

20 or any other state. An individual taxpayer shall only be allowed a maximum
21 deduction equal to the amounts provided under this section for each taxpayer on
22 the combined return.

23 2. For the period beginning July 1, 1989, and ending December 31, 1989,
24 there shall be subtracted from Missouri adjusted gross income for that period,
25 determined pursuant to section 143.121, the first three thousand dollars of
26 retirement benefits received by each taxpayer:

27 (1) If the taxpayer's filing status is single, head of household or qualifying
28 widow(er) and the taxpayer's Missouri adjusted gross income is less than twelve
29 thousand five hundred dollars; or

30 (2) If the taxpayer's filing status is married filing combined and their
31 combined Missouri adjusted gross income is less than sixteen thousand dollars;
32 or

33 (3) If the taxpayer's filing status is married filing separately and the
34 taxpayer's Missouri adjusted gross income is less than eight thousand dollars.

35 3. For the tax years beginning on or after January 1, 1990, but ending on
36 or before December 31, 2006, there shall be subtracted from Missouri adjusted
37 gross income, determined pursuant to section 143.121, a maximum of the first six
38 thousand dollars of retirement benefits received by each taxpayer from sources
39 other than privately funded sources, and for tax years beginning on or after
40 January 1, 1998, there shall be subtracted from Missouri adjusted gross income,
41 determined pursuant to section 143.121, a maximum of the first one thousand
42 dollars of any retirement allowance received from any privately funded source for
43 tax years beginning on or after January 1, 1998, but before January 1, 1999, and
44 a maximum of the first three thousand dollars of any retirement allowance
45 received from any privately funded source for tax years beginning on or after
46 January 1, 1999, but before January 1, 2000, and a maximum of the first four
47 thousand dollars of any retirement allowance received from any privately funded
48 source for tax years beginning on or after January 1, 2000, but before January 1,
49 2001, and a maximum of the first five thousand dollars of any retirement
50 allowance received from any privately funded source for tax years beginning on
51 or after January 1, 2001, but before January 1, 2002, and a maximum of the first
52 six thousand dollars of any retirement allowance received from any privately
53 funded sources for tax years beginning on or after January 1, 2002. A taxpayer
54 shall be entitled to the maximum exemption provided by this subsection:

55 (1) If the taxpayer's filing status is single, head of household or qualifying

56 widow(er) and the taxpayer's Missouri adjusted gross income is less than
57 twenty-five thousand dollars; or

58 (2) If the taxpayer's filing status is married filing combined and their
59 combined Missouri adjusted gross income is less than thirty-two thousand dollars;
60 or

61 (3) If the taxpayer's filing status is married filing separately and the
62 taxpayer's Missouri adjusted gross income is less than sixteen thousand dollars.

63 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income
64 ceiling for such taxpayer's filing status, as provided in subdivisions (1), (2) and
65 (3) of subsection 3 of this section, such taxpayer shall be entitled to an exemption
66 equal to the greater of zero or the maximum exemption provided in subsection 3
67 of this section reduced by one dollar for every dollar such taxpayer's income
68 exceeds the ceiling for his or her filing status.

69 5. **For purposes of this subsection, the term "maximum Social**
70 **Security benefit available" shall mean thirty-two thousand five hundred**
71 **dollars for the tax year beginning on or after January 1, 2007, and for**
72 **each subsequent tax year such amount shall be increased by the**
73 **percentage increase in the Consumer Price Index for All Urban**
74 **Consumers, or its successor index, as such index is defined and**
75 **officially reported by the United States Department of Labor, or its**
76 **successor agency.** For the tax year beginning on or after January 1, 2007, but
77 ending on or before December 31, 2007, [for taxpayers sixty-two years of age and
78 older] there shall be subtracted from Missouri adjusted gross income, determined
79 pursuant to section 143.121, a maximum of an amount equal to the greater of:
80 six thousand dollars in retirement benefits received from sources other than
81 privately funded sources, to the extent such benefits are included in the
82 taxpayer's federal adjusted gross income; or twenty percent of the retirement
83 benefits received from sources other than privately funded sources in the tax
84 year, but not to exceed the maximum Social Security benefit available for such
85 tax year. For the tax year beginning on or after January 1, 2008, but ending on
86 or before December 31, 2008, [for taxpayers sixty-two years of age and older]
87 there shall be subtracted from Missouri adjusted gross income, determined
88 pursuant to section 143.121, a maximum of an amount equal to the greater of:
89 six thousand dollars in retirement benefits received from sources other than
90 privately funded sources, to the extent such benefits are included in the
91 taxpayer's federal adjusted gross income; or thirty-five percent of the retirement

92 benefits received from sources other than privately funded sources in the tax
93 year, but not to exceed the maximum Social Security benefit available for such
94 tax year. For the tax year beginning on or after January 1, 2009, but ending on
95 or before December 31, 2009, [for taxpayers sixty-two years of age and older]
96 there shall be subtracted from Missouri adjusted gross income, determined
97 pursuant to section 143.121, a maximum of an amount equal to the greater of:
98 six thousand dollars in retirement benefits received from sources other than
99 privately funded sources, to the extent such benefits are included in the
100 taxpayer's federal adjusted gross income; or fifty percent of the retirement
101 benefits received from sources other than privately funded sources in the tax
102 year, but not to exceed the maximum Social Security benefit available for such
103 tax year. For the tax year beginning on or after January 1, 2010, but ending on
104 or before December 31, 2010, [for taxpayers sixty-two years of age and older]
105 there shall be subtracted from Missouri adjusted gross income, determined
106 pursuant to section 143.121, a maximum of an amount equal to the greater of:
107 six thousand dollars in retirement benefits received from sources other than
108 privately funded sources, to the extent such benefits are included in the
109 taxpayer's federal adjusted gross income; or sixty-five percent of the retirement
110 benefits received from sources other than privately funded sources in the tax
111 year, but not to exceed the maximum Social Security benefit available for such
112 tax year. For the tax year beginning on or after January 1, 2011, but ending on
113 or before December 31, 2011, for taxpayers sixty-two years of age and older there
114 shall be subtracted from Missouri adjusted gross income, determined pursuant
115 to section 143.121, a maximum of an amount equal to the greater of: six
116 thousand dollars in retirement benefits received from sources other than privately
117 funded sources, to the extent such benefits are included in the taxpayer's federal
118 adjusted gross income; or eighty percent of the retirement benefits received from
119 sources other than privately funded sources in the tax year, but not to exceed the
120 maximum Social Security benefit available for such tax year. For all tax years
121 beginning on or after January 1, 2012, [for taxpayers sixty-two years of age and
122 older] there shall be subtracted from Missouri adjusted gross income, determined
123 pursuant to section 143.121, a maximum of an amount equal to one hundred
124 percent of the retirement benefits received from sources other than privately
125 funded sources in the tax year, but not to exceed the maximum Social Security
126 benefit available for such tax year. A taxpayer shall be entitled to the maximum
127 exemption provided by this subsection:

128 (1) If the taxpayer's filing status is married filing combined, and their
129 combined Missouri adjusted gross income is equal to or less than one hundred
130 thousand dollars; or

131 (2) If the taxpayer's filing status is single, head of household, qualifying
132 widow(er), or married filing separately, and the taxpayer's Missouri adjusted
133 gross income is equal to or less than eighty-five thousand dollars.

134 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income
135 ceiling for such taxpayer's filing status, as provided in subdivisions (1) and (2) of
136 subsection 5 of this section, such taxpayer shall be entitled to an exemption, less
137 any applicable reduction provided under subsection 7 of this section, equal to the
138 greater of zero or the maximum exemption provided in subsection 5 of this section
139 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling
140 for his or her filing status.

141 7. For purposes of calculating the subtraction provided in subsection 5 of
142 this section, such subtraction shall be decreased by an amount equal to any Social
143 Security [benefits received by the taxpayer which are not included in such
144 taxpayer's Missouri adjusted gross income] **benefit exemption provided**
145 **under section 143.125.**

146 8. For purposes of this section, any Social Security benefits otherwise
147 included in Missouri adjusted gross income shall be subtracted; but Social
148 Security benefits shall not be subtracted for purposes of other computations
149 pursuant to this chapter, and are not to be considered as retirement benefits for
150 purposes of this section.

151 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section
152 shall apply during all tax years in which the federal Internal Revenue Code
153 provides exemption levels for calculation of the taxability of Social Security
154 benefits that are the same as the levels in subdivisions (1) and (2) of subsection
155 3 of this section. If the exemption levels for the calculation of the taxability of
156 Social Security benefits are adjusted by applicable federal law or regulation, the
157 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
158 be accordingly adjusted to the same exemption levels.

159 10. The portion of a taxpayer's lump sum distribution from an annuity or
160 other retirement plan not otherwise included in Missouri adjusted gross income
161 as calculated pursuant to this chapter but subject to taxation under Internal
162 Revenue Code Section 402 shall be taxed in an amount equal to ten percent of the
163 taxpayer's federal liability on such distribution for the same tax year.

164 11. For purposes of this section, retirement benefits received shall not
165 include any withdrawals from qualified retirement plans which are subsequently
166 rolled over into another retirement plan.

167 12. The exemptions provided for in this section shall not affect the
168 calculation of the income to be used to determine the property tax credit provided
169 in sections 135.010 to 135.035, RSMo.

170 13. The exemptions provided for in this section shall apply to any annuity,
171 pension, or retirement allowance as defined in subsection 1 of this section to the
172 extent that such amounts are included in the taxpayer's federal adjusted gross
173 income and not otherwise deducted from the taxpayer's federal adjusted gross
174 income in the calculation of Missouri taxable income. This subsection shall not
175 apply to any individual who qualifies under federal guidelines to be one hundred
176 percent disabled.

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Bill

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